

# INFLUENCE OF HR COMPETENCE, UTILIZATION OF INFORMATION TECHNOLOGY AND UNDERSTANDING OF ACCOUNTING STANDARDS ON THE QUALITY OF LPD FINANCIAL STATEMENTS IN UBUD DISTRICT

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## Abstract:

This study aims to empirically test the Influence of Human Resource Competence, Utilization of Information Technology and Understanding of Accounting Standards on the Quality of Financial Reports. Sample selection was taken by using the purposive sampling method. The data used is secondary data. The population in this study were employees in the finance department in all LPDs in Ubud sub-district, with a total of 32 LPDs. The sample in this study was 96. The data analysis used in this study was multiple linear regression analysis with a significance level of 5%. The results of this study indicate that the variable human resource competence, utilization of information technology and understanding of accounting standards have a significant positive effect on the quality of financial reports at LPD in Ubud District.

**Keywords:** Competence of Human Resources, Information Technology, and Understanding of Accounting Standards on the Quality of Financial Reports.

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## INTRODUCTION

One Financial institution has a vital role in encouraging a region's economic growth. One of the characteristics of regions experiencing progress in the mindset of finance is having financial institutions (Saputra, 2021). The existence of regional financial institutions will significantly facilitate the residents of an area to respond to economic policies made by the government (Atmadja et al., 2021). One of the government's supports related to village development is the establishment of village financial institutions, or Village Credit Institutions (LPD). Based on the Decree of the Governor of Bali No. 3 of 2003, LPD is an organization that is managed, established and owned by the village to advance the community's economy through integrated savings and loan distribution and a place to store village assets such as money and securities, in addition to carrying out its functions in the form of various businesses whose objectives are to improve the welfare of rural communities, achieve independent village life and achieve micro-enterprise development in a rural area. In carrying out its duties, LPD must be responsible as a profit institution by compiling financial reports (Saputra, 2020).

Sanjaya et al. (2017) stated that in addition to being aware that many parties will rely on financial statement information that is prepared as a basis for decision making, the financial statements must also be clear. The information in the financial statements must be reasonable and easy to understand. Based on the examination of the Ubud District's financial statements for FY 2020, BPK gave an Unqualified Opinion (WTP). Ramadhani et al. (2019) stated that there are four elements of assessment that receive the attention of the Regency Government, including the suitability of

financial reports with accounting standards, compliance with laws and regulations, adequacy of disclosure, and the effectiveness of technology systems (Sara et al., 2021).

However, there are still Village Credit Institutions in the Bali Region that experienced undesirable conditions, such as being found to be quite healthy, unhealthy, and stuck (Harefa, 2021). This problem will also trigger the misuse of funds in the LPD. One of them happened due to a lack of understanding and thoroughness, which can be seen in the case of the LPD in Silungan Ubud. The LPD had experienced congestion and could be said to have gone bankrupt. It is because, in the financial statements, many are presented and reported with inappropriate data and acts of corruption committed by irresponsible parties for personal gain (LPLPD Gianyar Regency, 2021). Weak human resources in understanding accounting standards can be the main trigger for corruption. Such actions can be prevented by having human resources who understand and are competent in understanding accounting standards and are also supported by adequate information technology (Lestari & Dewi, 2020).

In this study, we will analyze the factors that can affect the quality of the Village Credit Institution (LPD) financial statements in Ubud District. The reason for choosing LPD as the object of research is seen from the phenomena that occur because, in financial statements, there are still many presented and reported with inappropriate data and acts of corruption committed by irresponsible parties for personal gain, resulting in losses for parties. Interested parties, which resulted in a decrease in the interest of citizens to save their money in the LPD, which in turn caused the LPD to go bankrupt.

Based on the theory and phenomena, as well as the many differences in the results of previous studies, research was conducted, namely on the influence of human resource competence, utilization of information technology and understanding of accounting standards on the quality of LPD financial reports in Ubud District.

**Agency Theory.** Agency theory explains the condition in which the principal, as the owner of the company, authorizes the agent as the company's management to carry out activities in the interests of the owner, which in the process can lead to differences in the information held by the owner and manager (Rosalin & Faristina, 2020).

**Signal Theory.** Signal theory compares company management to providing instructions for investors regarding the company's condition through issuing financial statements. This signal is in the form of information on the efforts that have been deployed by company management regarding the good condition of the company (Brigham & Houston, 2019).

**Village Credit Institutions (LPD).** The Village Credit Institution (LPD) is an organization that is managed, established and owned by the village to advance the community's economy through integrated savings and loans (Piadnyan et al., 2020).

**Human Resources Competence.** Human resource competence is the ability an individual has from education, training and demands in carrying out his work (Matindas, 2018).

**Utilization of Information Technology.** The utilization of information technology describes the use of hardware and software as well as the internet to manage and process information to facilitate transaction processing and produce faster and more accurate information (Sutabri, 2020).

**Understanding of Accounting Standards.** Accounting Standards are guidelines or principles that govern accounting treatment in the preparation of financial statements, so an understanding of accounting standards is necessary to ensure consistency in financial reporting, the absence of an adequate understanding of accounting standards will lead to negative implications in the form of low reliability and objectivity of the information presented (Rahmawati et al., 2018).

**Financial Report Quality.** Good quality financial statements are described as financial statements that can meet the relevant, reliable, comparable, and understandable criteria (Saidin, 2019).

## METHODS

Researched at the Ubud District Village Credit Institution for the 2018-2020 period. The object used is the quality of the financial statements of the Village Credit Institutions in the Ubud District in 2018-2020 with the competence of human resources and the use of information technology as influencing factors. Determining the sample adopted the purposive sampling technique, namely selecting samples based on criteria so that the research sample was 96 samples obtained from the total population multiplied by the year of observation ( $32 \times 3 = 96$ ). Data is collected with documentation from the annual financial statements. Data analysis adopted the multiple linear regression analysis techniques.

## RESULT AND DISCUSSION

**Multiple Linear Regression Analysis.** Data analysis adopts multiple linear regression analysis techniques. The results are as follows:

**Table 1.** Multiple Linear Regression Analysis Results Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
<b>1 (Constant)</b>	15.351	7.365		2.084	.040		
<b>X1</b>	.296	.082	.330	3.586	.001	.996	1.004
<b>X2</b>	.195	.093	.194	2.092	.039	.988	1.012
<b>X3</b>	.274	.106	.238	2.578	.012	.992	1.008

a. Dependent Variable: Y

Source: data processed 2022

Table 1 describes the results of multiple linear regression analysis obtaining the Standardized Coefficients Beta value of 0.330 for the variable of human resource competence, 0.194 for the variable of information technology utilization and 0.238 for the variable understanding of accounting standards. The incident made the quality of financial reports has the potential to increase if the competence of human resources, utilization of information technology and understanding of accounting standards increase with the condition that other variables are fixed.

**The Influence of Human Resource Competence on the Quality of LPD Financial Reports in Ubud District.** The study of hypotheses proves that human resource competence has a significant positive effect associated with the quality of financial reports. It is shown that there is a positive regression coefficient of 0.330 with a significance of 0.001 or lower, which shows that an increase in human resource competence affects improving the quality of reports on LPDs in Ubud Regency. The results of this study align with previous research by Hendri and Erinos (2020) and Girsang (2018), which stated that human resource competence positively influences the results of the quality of financial reports.

**The Effect of Information Technology Utilization on the Quality of LPD Financial Reports in Ubud District.** The study of hypotheses proves that information technology has a significant positive effect associated with the quality of financial reports. It is indicated by the presence of a positive regression coefficient of 0.194 with a significance of 0.039 or lower, which shows that the increase in the use of information technology can affect the improvement of the quality of financial reports at the LPD in Ubud District. The results of this study align with previous research by



Rahmawati et al. (2018) and Dewi and Hoesada (2020), suggesting that the use of information technology positively influences the quality of financial reports.

**The Effect of Understanding Accounting Standards on the Quality of LPD Financial Reports in Ubud District.** The study of hypotheses proves that understanding accounting standards has a significant positive effect associated with the quality of financial statements. It is shown that there is a positive regression coefficient of 0.238 with a significance of 0.012 or lower. So increasing understanding of accounting standards can affect improving the quality of financial reports at LPDs in Ubud District. This study's results align with previous research by Hendri and Erinos (2020) and Muda et al. (2017), which stated that understanding accounting standards positively influences the quality of financial reports.

## CONCLUSION

The data analysis and discussion results show that tax audits have a positive and significant effect on individual tax revenues. Tax collection has a positive and significant effect on individual tax receipts. Tax socialization has a positive and significant effect on individual tax revenues. Suggestions for companies are expected to continuously improve the implementation of audits, tax collection and tax socialization. For further research, it is expected to use other variables such as ownership of NPWP. In addition, further research is recommended to add more samples or respondents than in previous studies.

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